



HILLIARD LYONS

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# RECOMMENDED STOCKS

## February 2018

*To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to [RsLib@hilliard.com](mailto:RsLib@hilliard.com), or go online to <http://hilliard.com/site/market-info/research-disclosures.html>. Requests should include the name and date of this report and a list of companies for which the disclosure information is requested.*

**Note Important Disclosures on Pages 6-7**

**Note Analysts' Certification on Page 6**

**Buy Rated Equities**

Company	Symbol	Price	52 Week	--FY EPS--			P/E	Ind. Ann.	Ind. Div.	Target	Price	Suit.	Notes
		02/07/18	Price Range	2016	2017E	2018E	2018E	Dividend	Yield				
<i>Financial Sector</i>													
Chemical Financial Corp.	CHFC	\$56.19	\$60 - \$44	\$2.87	\$3.06A	\$3.94	14.3	\$1.12	2.0%	\$65	2		
First Financial Bancorp	FFBC	\$28.00	\$30 - \$23	\$1.43	\$1.43A	\$2.09	13.4	\$0.76	2.7%	\$33	2	P	
Huntington Bancshares	HBAN	\$15.64	\$17 - \$12	\$0.87	\$0.98A	\$1.21	12.9	\$0.44	2.8%	\$17	2	P	
Old National Bancorp	ONB	\$17.10	\$19 - \$15	\$1.01	\$1.06A	\$1.26	13.6	\$0.52	3.0%	\$19	2	P	
Pinnacle Financial Partners	PNFP	\$62.40	\$72 - \$58	\$3.06	\$3.54A	\$4.66	13.4	\$0.56	0.9%	\$76	2		
Renasant Corp.	RNST	\$41.79	\$45 - \$38	\$2.29	\$2.42A	\$2.99	14.0	\$0.76	1.8%	\$48	2	P	
<i>Health Care Sector</i>													
Zoetis Inc.	ZTS	\$73.86	\$80 - \$52	\$1.96	\$2.35	\$2.97	24.9	\$0.50	0.7%	\$88	2		
<i>Industrials Sector</i>													
3M Company	MMM	\$233.19	\$260 - \$175	\$8.16	\$9.03A	\$10.53	22.1	\$5.44	2.3%	\$285	1		
<i>Information Technology Sector</i>													
Apple Inc.	AAPL	\$159.54	\$180 - \$131	\$8.27	\$9.19A	\$11.59	13.8	\$2.52	1.6%	\$194	1	FY9	
<i>Real Estate Sector</i>													
Kite Realty Group Trust	KRG	\$15.04	\$24 - \$15	\$2.00	\$2.04A	\$2.00	7.5	\$1.27	8.4%	\$22	3	*	
Physicians Realty Trust	DOC	\$15.35	\$22 - \$15	\$0.98	\$1.07	\$1.25	12.3	\$0.92	6.0%	\$20	3	* H I	
Simon Property Group, Inc.	SPG	\$154.86	\$187 - \$150	\$10.49	\$11.21A	\$12.00	12.9	\$7.80	5.0%	\$188	2		
Tanger Factory Outlet Centers, Inc.	SKT	\$23.54	\$35 - \$22	\$2.36	\$2.08	\$2.51	9.4	\$1.37	5.8%	\$31	3	*	
<i>Telecommunications Sector</i>													
AT&T Inc.	T	\$36.93	\$43 - \$33	\$2.84	\$3.05A	\$3.50	10.6	\$2.00	5.4%	\$43	2	H I	
<i>Utilities Sector</i>													
Dominion Energy	D	\$73.76	\$85 - \$72	\$3.80	\$3.60A	\$4.05	18.2	\$3.34	4.5%	\$86	2		
Spire Inc.	SR	\$62.85	\$83 - \$60	\$3.42	\$3.66A	\$3.82	16.5	\$2.25	3.6%	\$76	2	FY9	

**Long-term Buy Rated Equities**

Company	Symbol	Price	52 Week	--FY EPS--			P/E	Ind. Ann.	Ind. Div.	Target	Price	Suit.	Notes
		02/07/18	Price Range	2016	2017E	2018E	2018E	Dividend	Yield				
<i>Consumer Discretionary Sector</i>													
Cedar Fair Entertainment Co. LP	FUN	\$66.47	\$73 - \$60	\$3.14	\$3.00	\$3.40	19.6	\$3.56	5.4%	\$77	3	#	
The Walt Disney Company	DIS	\$104.76	\$116 - \$96	\$5.72	\$5.70A	\$6.95	15.1	\$1.68	1.6%	\$134	1	FY9	
Six Flags Entertainment Corp.	SIX	\$65.00	\$70 - \$51	\$1.25	\$2.12	\$2.31	28.1	\$2.80	4.3%	\$72	3		
<i>Consumer Staples Sector</i>													
Kroger Co.	KR	\$28.90	\$35 - \$20	\$2.12	\$2.02	\$2.00	14.5	\$0.50	1.7%	\$31	3	FY1	
Procter & Gamble Co.	PG	\$81.84	\$95 - \$80	\$3.67	\$3.92A	\$4.20	19.5	\$2.76	3.4%	\$106	1	FY6	
The JM Smucker Company	SJM	\$119.05	\$144 - \$100	\$7.79	\$7.72A	\$7.83	15.2	\$3.12	2.6%	\$140	2	FY4	
<i>Industrials Sector</i>													
Leggett & Platt	LEG	\$45.78	\$55 - \$42	\$2.49	\$2.46A	\$2.79	16.4	\$1.44	3.1%	\$66	2		
Multi-Color Corp.	LABL	\$69.13	\$90 - \$63	\$3.22	\$3.61A	\$3.64	19.0	\$0.20	0.3%	\$105	3	FY3	
<i>Health Care Sector</i>													
Eli Lilly & Company	LLY	\$76.72	\$89 - \$76	\$3.52	\$4.28A	\$4.82	15.9	\$2.25	2.9%	\$104	1		

**Long-term Buy Rated Equities (continued)**

Company	Symbol	Price	52 Week	--FY EPS--			P/E	Ind. Ann. Div.	Ind. Div. Yield	Target	Price	Suit.	Notes
		02/07/18	Price Range	2016	2017E	2018E	2018E	Dividend	Yield	Price			
<b>Information Technology Sector</b>													
Facebook Inc.	FB	\$180.18	\$195 - \$132	\$3.33	\$6.16A	\$7.22	25.0	\$0.00	0.0%	\$239	3		
Intel Corp.	INTC	\$45.20	\$51 - \$33	\$2.72	\$3.47A	\$3.55	12.7	\$1.20	2.7%	\$60	2		
VeriFone Systems Inc.	PAY	\$17.36	\$21 - \$16	\$1.66	\$1.31A	\$1.47	11.8	\$0.00	0.0%	\$26	4		FY10
VMware Inc.	VMW	\$112.90	\$165 - \$85	\$4.40		\$5.14	22.0	\$0.00	0.0%	\$145	3		
<b>Real Estate Sector</b>													
Omega Healthcare Investors, Inc.	OHI	\$26.14	\$35 - \$25	\$3.41	\$3.30	\$3.47	7.5	\$2.64	10.1%	\$38	3		*
SoTHERLY Hotels Inc.	SOHO	\$6.01	\$8 - \$6	\$0.90	\$0.90	\$1.03	5.8	\$0.46	7.7%	\$8	4		HI
<b>Utilities Sector</b>													
American Water Works Co.	AWK	\$77.96	\$92 - \$72	\$2.85	\$3.00	\$3.34	23.3	\$1.66	2.1%	\$110	1		
Chesapeake Utilities Corp.	CPK	\$69.10	\$86 - \$64	\$2.86	\$2.81	\$3.43	20.1	\$1.30	1.9%	\$97	3		
NextEra Energy	NEE	\$148.09	\$160 - \$124	\$6.19	\$6.70A	\$7.75	19.1	\$3.93	2.7%	\$175	2		

Note: For VMW, fiscal year 2017 was changed to Dell FYE 2018.

Additional information is available upon request.

**Explanations & Disclaimers**

**A** - Actual

**Ann.** - Annual/annualized

**Bps** - Basis points

**E** - Estimated

**EBITDA** - Earnings before income, taxes, depreciation, amortization

**EBITDDA** - Earnings before income, taxes, depreciation, depletion, amortization

**EPS** - Earnings per share

**EV** - Enterprise value

**FFO** - Funds from operations

**FFOA** - Funds from operations adjusted

**FFOM** - Funds from operations modified

**FY** - Fiscal year

**FY(1-11)** - EPS are for fiscal years (1=January, 2=February, etc.)

**GAAP** - Generally accepted accounting principles

**Ind. Div. Yield** - Indicated dividend yield

**NA** - Not available/acceptable

**NAV** - Net asset value

**NII** - Net investment income

**NM** - Non-meaningful

**P/E** - Price/earnings ratio -- current price divided by EPS

**Q** - Quarter

**(1-4)Q** - 1=First quarter, 2=Second quarter, 3=Third quarter, 4=Fourth quarter

**REIT** - Real estate investment trust

**TR** - Total return

**TTM** - Trailing twelve months

**YTD** - Year to date

All data is adjusted for stock splits or stock dividends.

Unless otherwise noted, EPS are from continuing operations and exclude non-recurring items.

EPS and P/E for REITs represent FFO, FFOA, or FFOM. EPS and P/E for Specialty Finance companies represent NII.

52 week price range is rounded.

Note: it is not possible to invest directly in an index.

\* - Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2017 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2017 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

Note: At press time SoTHERLY Hotels Inc. has not reported their 2017 tax treatment of dividend. This company typically has return of capital as a component of their dividend, but that is no guarantee it did in 2017 or will going forward.

# - **This entity is classified as a Partnership for US income tax purposes. Tax information is provided by the Partnership directly to the investor on Form 1065, Schedule K-1. Please discuss the tax implications of this investment with a qualified tax advisor.** Annual yield is calculated by dividing the distribution amount by the current price of the security. All or a portion of the Company's distributions are paid from the Partners Capital Account at the Company's discretion. Actual classification for income tax purposes is reported on IRS Form 1065, Schedule K-1 and is provided directly to the investor by the Company. For US income tax purposes, the Company will make a determination regarding all allocable tax information after calendar year end on Form 1065, Schedule K-1. Partnership interests held in tax-exempt accounts including retirement plans and Individual Retirement accounts may be subject to Unrelated Business Income Tax (UBIT). We urge each investor to consult with his or her own tax advisor to determine the tax consequences of ownership of partnership interests, including any state, local or foreign tax considerations.

We recognize each client's investment needs and goals are different. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors.

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The contributors to this report hereby certify that the views expressed in this report accurately reflect their personal views about the subject. They also certify that they have not been, are not, and will not be receiving direct or indirect compensation in exchange for expressing the specific points of view in this report.

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Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

**Investment Ratings Buy:** We believe the stock has significant total return potential in the coming 12 months. **Long-term Buy:** We believe the stock is an above average holding in its sector, and expect solid total returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years. **Neutral:** We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise. **Underperform:** We believe the stock is vulnerable to a price set back in the next 12 months.

**Suitability Ratings 1:** A large cap, core holding with a solid history. **2:** A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event-driven setbacks. **3:** An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage. **4:** Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.

See individual company reports for further disclosures.

C - Hilliard Lyons has participated in an underwriting for securities of this company within the past 12 months.

CC - Hilliard Lyons has participated in a selling group for securities of this company within the past 12 months.

CCC - Hilliard Lyons intends to participate in a selling group for a proposed offering of securities of this company within the coming three months.

**G** - Hilliard Lyons expects to receive investment banking compensation from this company in the coming three months.

**H** - Hilliard Lyons has received investment banking compensation from this company within the past 12 months.

**I** - Hilliard Lyons has been a manager or co-manager of an offering of securities of this company within the past 12 months.

**J** - From 1998 to 2008, Hilliard Lyons was owned by PNC Financial (PNC-\$155.00).

**P** - This company is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

**PP** - This company is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking non-securities-related services, and Hilliard Lyons received compensation for those services.

**S** - This company is/was a client of Hilliard Lyons within the past 12 months, received investment banking securities-related services, and Hilliard Lyons received compensation for those services.

**T** - This company is/was a client of Hilliard Lyons within the past 12 months, received investment banking non-securities-related services, and Hilliard Lyons received compensation for those services.

**U** - Hilliard Lyons' customers owned at least 5% of the company's common stock outstanding as of February 7, 2018.

**W** - Gladstone Capital Corp. (GLAD-\$9.01), Gladstone Commercial Corp. (GOOD-\$17.99), Gladstone Investment Corp. (GAIN-\$10.42), and Gladstone Land Corp. (LAND-\$11.90) share the same board and management.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
<b>Rating</b>				
<b>Buy</b>	31	28%	10%	90%
<b>Hold/Neutral</b>	74	66%	9%	91%
<b>Sell</b>	7	6%	0%	100%

*As of 7 February 2018*

### **Other Disclosures**

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